

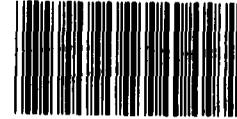


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UNITED STATES GENERAL ACCOUNTING OFFICE
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DENVER, COLORADO 80211

OCTOBER 31, 1983

The Honorable Scott M. Matheson
Office of the Governor
State of Utah
Salt Lake City, Utah 84114



122869

Dear Governor Matheson:

Subject: Utah's Early Implementation of the Small Cities
Community Development Block Grant Program

Enclosed is our final report which describes Utah's decisionmaking process in implementing the Small Cities Community Development Block Grant Program as authorized by the Omnibus Budget Reconciliation Act of 1981. It also provides a comparison of 1982 State-funded activities and populations targeted with those of the Department of Housing and Urban Development (HUD) in 1981 and provides local communities' and others' perceptions of the success of Utah's program. Utah was one of seven States we visited to provide the Congress with up-to-date information on States' progress in implementing their Small Cities Program. We previously sent you a copy of our overall report to the Congress, "States Are Making Good Progress in Implementing the Small Cities Community Development Block Grant Program" (GAO/RCED-83-186, Sept. 8, 1983), which incorporated the results of our work in seven States. The enclosed report details the results of our review in Utah.

Essentially, we found that HUD and Utah clearly differed in the types of projects they funded. HUD favored larger projects that emphasized economic development aimed at neighborhood revitalization and housing rehabilitation where benefits were clearly targeted to low- and moderate-income persons. Utah favored small public facility projects, such as improving fire-fighting facilities, which benefited the community as a whole. On the basis of project application data, the expected percentage of beneficiaries who were low- and moderate-income persons declined 12 percentage points (from 71 to 59) when compared with HUD's previous program. This decrease may be due to the shift in the types of projects funded under each program. Although public facility projects may also serve high percentages of low- and moderate-income persons, these projects are more difficult to target because they often provide area-wide benefits. (See enc. III.)

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HUD and Utah also differed in the number and size of awards they granted. For example, in 1981, HUD awarded 8 grants, averaging \$466,250, while in 1982, Utah awarded 87 grants, averaging \$47,721. Utah and HUD officials attributed the differences to Utah's methods of distributing funds. Another difference between the programs was that Utah's grants were supplemented with \$5,163,157 in other funds--more than twice the \$2,323,289 in other funds which supplemented HUD's grants. (See enc. III.)

State, HUD, and public interest group officials viewed Utah's Small Cities Program as one by which the local communities' needs can be better met. In addition, grantees and unsuccessful applicants generally viewed Utah's program favorably. Both grantees and unsuccessful applicants said that Utah's program equaled or surpassed HUD's program in most areas, including (1) fairness of award process, (2) ability to meet local needs, (3) flexibility in determining population groups to be served, and (4) assistance to local communities. (See enc. IV.)

Public participation was a significant factor in Utah's Small Cities Program. For example, Utah held 12 public meetings throughout the State to disseminate information on the proposed program. At the meetings, representatives of local, county, and State governments; special interest groups; and concerned citizens were able to submit comments on the program design and to make suggestions on fund distribution. Also, eight public hearings were held in the seven regional planning districts to present details on the program and to solicit public comment. Before finalizing the program design, the State also gave citizens another opportunity to review and comment on it. Overall, applicants were satisfied with Utah's public participation process and felt that they had played an integral role in developing their communities' plans under Utah's Small Cities Program. (See enc. II.)

We provided a draft of this report to the State on February 28, 1983, for review and comment. Subsequently, on March 3 and March 8, 1983, respectively, the Legislative Committee of the Utah House of Representatives and the Governor provided written comments. Both letters expressed considerable satisfaction with the completeness of our report as well as with the success of Utah's Small Cities Program in effectively addressing local community development needs. (See encs. VI and VII.)

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Enclosure V of this report contains detailed information regarding the objective, scope, and methodology of our review.

Copies of this report are being sent to Utah's President of the Senate, Speaker of the House, and U.S. congressional representatives; the Utah Committee on Local Affairs; the HUD regional administrator responsible for the State of Utah; and other interested parties.

Thank you for the cooperation of and time spent by State officials in assisting us during our review. Without their full cooperation and assistance, we most likely could not have provided early input to the March 1983 Community Development Block Grant Program reauthorization hearings.

Sincerely yours,



Robert W. Hanlon
Regional Manager

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ABBREVIATIONS

DCED Department of Community and Economic Development
HUD Department of Housing and Urban Development

INTRODUCTION

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) substantially changed the administration of various Federal domestic assistance programs. The act consolidated numerous Federal categorical programs into nine block grant programs and shifted primary administrative responsibility to the States, with Federal agencies retaining a stewardship role. Of the nine block grant programs enacted, four related to health services, two to social services, one to energy assistance for low-income persons, one to education, and one to community development. Six of the block grant programs were newly created and three involved changes to existing ones. Under the provisions of the act, States are provided greater discretion, with certain legislative limits, to determine programmatic needs, set priorities, allocate funds, and establish oversight mechanisms. Since passage of the act, a great deal of interest has been expressed by the Congress, as well as by the public and private sectors, on how the new approach to block grants affects services provided to the people.

We are reviewing the Small Cities Community Development Block Grant Program and the other eight block grant programs to provide the Congress with detailed information on the States' implementation of the programs. This report provides information on the Small Cities Program in the State of Utah. Specifically, it describes the decisionmaking process used to design the Utah program, including how the State met its public participation certifications; Utah's process of selecting local funding recipients in 1982; a comparison of State funding of community development activities in 1982 with Department of Housing and Urban Development (HUD) funding in 1981; and local communities' and others' perceptions of how Utah is administering the 1982 Small Cities Program compared with how HUD administered the previous program.

HISTORY OF THE SMALL CITIES PROGRAM

The Small Cities Program had its beginnings with the passage of the Housing and Community Development Act of 1974 (Public Law 93-383). Title I of this act created the Community Development Block Grant Program. It replaced several former categorical grant and loan programs under which communities applied for funds on a case-by-case basis. The primary objective of title I was to develop viable urban communities by providing decent housing and suitable living environments and by expanding economic opportunities, principally for low- and moderate-income persons.

The program allowed communities two types of grants--discretionary and entitlement. Small communities in metropolitan areas and communities in nonmetropolitan areas were eligible to receive annual discretionary grants. The discretionary grants, made to cities with populations of under 50,000, could be given only through a competitive process. Funds were awarded at HUD's discretion after it considered applicant proposals. Known initially as the discretionary grant program, the program evolved into the current Small Cities Program. Annual entitlement grants were made to communities with populations of over 50,000, central cities of standard metropolitan statistical areas, and some urban counties with populations of over 200,000.

Subsequent amendments to title I of the act made a number of changes to the program. For example, the Housing and Community Development Amendments of 1977 (Public Law 95-128) redesignated the discretionary grants portion of the program to what is known today as the Small Cities Program. This act also authorized HUD to make two types of programs available to small cities--comprehensive and single-purpose grants. Comprehensive grants involve commitments, for periods of up to 3 years, to carry out two or more activities that address a substantial portion of community development needs within a reasonable period of time. Single-purpose grants are for projects that consist of one or a set of activities to meet a specific community development need.

Before the Omnibus Budget Reconciliation Act of 1981 was passed on August 13, 1981, two States--Kentucky and Wisconsin--participated in a HUD-authorized demonstration to test States' ability to administer the Small Cities Program. The demonstration was undertaken to determine whether an expanded role for States in the Small Cities Program would increase the effectiveness of the program in meeting the needs of distressed areas and low- and moderate-income persons. Kentucky and Wisconsin were selected from a pool of nine States which applied to participate in the demonstration, primarily because they had the staff and resources to carry it out and had a record for State activities compatible with the objectives of the Small Cities Program. According to HUD, the results of the demonstration indicated that the States had the capacity to administer a Federal community development program and to do so with the cooperation of small communities.

Title III of the Omnibus Budget Reconciliation Act of 1981 resulted in substantial revisions to the Small Cities Program. Although the primary objective of carrying out community

development activities that principally benefit low- and moderate-income persons remains unchanged, HUD regulations (24 CFR Part 570) on the State-administered program state that this overall objective is achieved through a program where the projected use of funds has been developed so as to give maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. The projected use of funds may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

The 1981 act put State and local officials more clearly at the center of the decisionmaking process and reduced the discretionary power that HUD held over program decisions. States are given the option to assume primary administrative responsibility for the Small Cities Program, including distributing funds under a State-developed program. States are free to develop purposes and procedures for distributing funds as State and local priorities dictate, subject to the objectives and other requirements of the act.

In lieu of preparing a block grant application, the Omnibus Budget Reconciliation Act of 1981 requires each State electing to administer the program to prepare a statement of community development objectives and its projected use of the fund. The projected use of funds shall consist of the method by which the State will distribute funds to local government units. Each State must certify that funds will be used in a way that gives maximum feasible priority to benefiting low- and moderate-income persons or preventing slums and urban blight. The projected use of funds may also include activities that the State certifies have been designed to meet community development needs of particular urgency because existing conditions pose a threat to the health and welfare of the community and other financial resources are not available to meet those needs. The act also sets forth specific requirements for permitting public examination and appraisal of the proposed and final statement of objectives and projected use of the funds, to enhance public accountability of the States, and to facilitate coordination of activities with different levels of government. Each State is required to certify to HUD that it has met these requirements.

If a State elects not to accept primary responsibility for administering the program or if it fails to submit the required certifications, small communities would continue to be eligible to receive small cities grants from the HUD-administered program.

In fiscal year 1982, 36 States and Puerto Rico elected to administer the Small Cities Program. As of August 1983, 46 States and Puerto Rico elected to administer the program in fiscal year 1983. Hawaii, Kansas, and Maryland have decided not to administer the program, while New York needs the approval of its legislature before notifying HUD of its intentions to administer the program.

As structured under the Omnibus Budget Reconciliation Act of 1981, 30 percent of the funds appropriated to the Community Development Block Grant Program are allocated to the Small Cities Program after the deduction of funds allocated to the HUD Secretary's Discretionary Fund. After the amount of funds available for the Small Cities Program has been determined, grants to individual States are calculated on the basis of two formulas that existed under prior law. One formula takes into consideration poverty, population, and overcrowded housing. The other formula considers poverty, population, and age of housing stock. The allocation to each State is based on whichever formula yields a higher level of funds.

In fiscal year 1982, \$1.019 billion was allocated among the 50 States and Puerto Rico for the Small Cities Program, compared with about \$926 million in fiscal year 1981.

OVERVIEW OF STATE PROGRAM

In October 1981, the Governor of Utah announced his intention to assume primary administrative responsibility for the Small Cities Program in fiscal year 1982. In May 1982, the State formally requested control of the Small Cities Program, and in June, HUD awarded Utah a Small Cities Program grant of about \$4.2 million. The Division of Community Development of the State Department of Community and Economic Development (DCED) was designated to design, implement, and administer the program.

In addition, the Governor's Advisory Council on Community Affairs appointed a technical committee of nine community development experts to collaborate with DCED staff in designing the State's Small Cities Program. This technical committee was composed of city planners, a city manager, directors of the Association of Governments, DCED staff, representatives from the Utah Association of Counties and the Utah League of Cities and Towns, and representatives of low- and moderate-income and housing interest groups. Furthermore, DCED considered comments and suggestions obtained through public meetings held in December 1981 and public hearings held in March and April 1982. These were held throughout the State in each of the regional planning districts.

Although the Governor and the State legislature were not actively involved in designing the program, DCED kept the Governor's office informed of program status and met with the State Legislative Committee on State and Local Affairs to answer questions about program goals and progress. This legislative committee has oversight responsibility for Utah's Small Cities Program.

While preparing its statement of objectives and deciding on the distribution method for the Small Cities Program, Utah did not have any contact with HUD. A DCED official said that HUD did not try to suggest how the State should establish program priorities, distribute funds, or meet certification requirements. According to a HUD regional official, the program was the State's, and HUD was not responsible for directing the State on how to design it. Basically, HUD's role was to review the State certification for compliance and to monitor the program. Otherwise, HUD took a "hands off" approach.

Utah's 1982 Small Cities Program goals were to

- improve public facilities, expand economic opportunities, develop and use land resourcefully, provide decent housing, and provide needed public services;
- promote a strong local government role in the grant selection process through the use of regional review committees;
- simplify grant applications and management requirements and simultaneously address congressional program intent and existing Federal law; and
- supplement Small Cities Program funds with other available public and private funds.

Seven regional planning districts, established in 1970 to assist in planning and development activities within the State, were given a major role in implementing Utah's program and selecting grantee projects. In general, each of the seven districts established a technical review board to review and rank eligible grantee applications. DCED's role was to review recommendations made by the review boards and to approve those project proposals that met State and Federal requirements.

DESCRIPTION OF STATE ANDLOCAL DECISIONMAKING PROCESS

In designing its 1982 Small Cities Program, Utah used various methods to meet the public participation certifications required by Title III of the Omnibus Budget Reconciliation Act of 1981. Information concerning the program design and proposed use of funds was distributed through public meetings held throughout the State. At the meetings, participants were given the opportunity to review and comment on the program proposal. Public hearings were also held to present details on the proposed program and to solicit public comment. Invitations to the public meetings and hearings were sent to interested parties and groups, and announcements of the meetings were broadcast on the radio and appeared in newspapers. At the local level, the majority of communities receiving a grant said that public participation was an important factor in helping to design their programs. Most of the grantees also said that they had conducted a formal assessment of their community development needs prior to applying for Small Cities Program funds.

Utah, in implementing its program, generally distributed funds and selected projects for funding in accordance with the procedures and criteria outlined in its statement of objectives. The Small Cities Program funds were allocated among the State's seven regional planning districts. Each planning district reviewed, ranked, and recommended specific project applications for funding on the basis of criteria and procedures they developed. DCED reviewed the recommendations and gave its final approval.

UTAH DESIGNED ITS PROGRAM
EMPHASIZING PUBLIC PARTICIPATION

On May 17, 1982, the Governor certified to HUD that the State had taken the following steps, as required by the act, to solicit public input when developing its Small Cities Program:

- Furnished citizens information about the amount of funds available for proposed community development and housing activities, and the range of activities that may be undertaken.
- Allowed affected citizens or, as appropriate, units of local government the opportunity to examine and comment on proposed statements of community development objectives and projected use of funds.
- Held at least one public hearing to obtain the views of citizens on community development and housing needs.
- Made the final statement available to the public.

How State public participation requirements were met

To meet its certifications, Utah initially disseminated program information through 12 public meetings held throughout the State in December 1981. Invitations to the meetings were sent to mayors, county commissioners, State legislators, Chamber of Commerce presidents, school board presidents, League of Women Voters presidents, housing authorities, Community Action Program directors, and Associations of Governments directors. Announcements of the public meetings were also broadcast on local radio stations and printed in newspapers. In total 243 persons, the majority being mayors and county commissioners, attended the meetings. Special interest groups and concerned citizens were involved to a lesser degree. During the meetings, the participants were given workbooks which defined eligible activities and addressed application evaluation criteria, fund distribution, and other general matters. The participants then prioritized eligible activities and criteria and offered suggestions on fund distribution. DCED used the input it received at the public meeting to help develop a method for distributing program funds and a list of 10 criteria establishing Statewide priorities.

In March and April of 1982, eight public hearings were held in the planning districts to present details about the Small Cities Program and to solicit public comment. The State notified the same groups that had been invited to the December meetings and also sent a press release to newspapers and radio stations. About 90 participants attended these hearings. Participants' comments indicated that the two major advantages of the program were local participation in choosing projects to be funded and the decrease in "red tape." Cited as unfavorable aspects were inadequate amounts of money, a reduced priority placed on housing needs, and possible regional bias in the review process.

In early June, Utah published its program plan and afforded citizens yet another chance to comment on it. The plan was published in final form on July 5, 1982. As a last step, the State contracted with the Utah League of Cities and Towns to provide technical assistance. A 96-page handbook was prepared to assist these local officials, and seminars were held to familiarize community officials with Utah's program design and procedures. About 200 persons attended these seminars.

According to our questionnaire results, 93 percent of the grantees and 91 percent of the unsuccessful applicants said that the State informed them of its intentions to have a program before providing information on procedures and requirements for program participation. Respondents said that program information was provided to their communities by the following means:

<u>Communication method</u>	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Meetings	89	100
Mail	80	71
Individual communications	53	14
Other	26	5

Respondents said the State provided them with the following types of program information:

<u>Information provided</u>	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Eligibility requirements	100	86
Program goals	94	76
Grant award process	80	86
Administrative requirements	78	48

Ninety-five percent of the grantees and 81 percent of the unsuccessful applicants categorized the extent of communication that took place between their community and the State as being adequate or more than adequate, as illustrated in the following table:¹

<u>Extent of communication</u>	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Much more than adequate	15	-
More than adequate	7	10
Adequate	73	71
Less than adequate	-	10
No basis to judge	5	10

More grantees than unsuccessful applicants said that their communities had been given opportunities to make suggestions regarding program development. About 72 percent of the grantees and 52 percent of the unsuccessful applicants said that the State requested their suggestions on program formulation or implementation. Of these, about 83 percent of the grantees and 55 percent of the unsuccessful applicants said they provided suggestions. Almost three-fourths of the grantees (72 percent) said the State

¹In presenting questionnaire data throughout this report, percentages of respondents may not total 100 because of rounding.

sent them proposed procedures and/or regulations, while only 35 percent of the unsuccessful applicants said this. Of these, only 39 percent of the grantees and 15 percent of the unsuccessful applicants said they provided comments to the State on these proposed procedures and/or regulations.

State and HUD officials, as well as officials from the Utah League of Cities and Towns, were pleased with the amount of public participation that took place in designing Utah's program. They all agreed that, under the State program, the public was given a greater opportunity to participate than under HUD's program.

How the local communities
designed their programs

The results of our questionnaire showed that grantee communities also used various methods to design their local programs, and that public participation was a key element in program design. About 80 percent of the grantees said that persons other than local government officials helped develop the communities' plans for carrying out projects and activities under Utah's Small Cities Program. Grantees cited the following groups as participants in this process:

- Councils of government (46 percent of grantees).
- Regional advisory councils (46 percent of grantees).
- County officials (35 percent of grantees).
- Individual citizens (30 percent of grantees).
- Consultants or contractors (28 percent of grantees).
- Associations, lobbies, or public interest groups (11 percent of grantees).
- Citizen groups (19 percent of grantees).

Most grantees (53 percent) said that individual citizens or citizen groups participated in developing their communities' plans through public meetings. About 38 percent of the grantees said citizens also participated through public hearings held by local governments. Additional means of citizen participation were also cited:

- A formal program of publishing and soliciting public comment on proposals of suggested projects and activities (24 percent of grantees).
- Individual visits, telephone calls, or letters to community government officials (22 percent of grantees).
- Other methods (12 percent of grantees).

Ninety percent of the communities receiving grants stated that they conducted a needs assessment before applying for Small Cities Program funding. According to the grantees, the community government conducted the needs assessment in about 53 percent of these communities. Consultants or contractors conducted the assessment in about 27 percent of the communities, and county governments were involved in about 12 percent of the communities.

In conducting the needs assessments, the two most common techniques involved reviewing existing community statistical data and visually inspecting community conditions. The following table presents the various procedures grantees used in their needs assessments:

Procedures Used in Needs Assessment

	<u>Grantee percent</u>
Review of existing community statistical data	51
Systematic visual inspection of conditions in community	49
Review of U.S. Census data	35
Review of county data	24
Survey of households	32
Other procedures	20

Most grantees identified two factors as being most important in selecting specific projects to submit for small cities funding: the general knowledge of community officials and the needs assessment. The table below presents the percentage of grantees identifying various factors as being important in deciding which projects to submit for funding.

Factors Considered Important in Selecting Projects

	<u>Grantee percent</u>
General knowledge of community officials	96
Needs assessment	89
Potential for attracting other funds	77
Comments from individual citizens	77
Comments from citizen groups	69
Previously prepared master plan	65
Reductions in current Federal funds	54
Suggestions from State officials	53

UTAH ADHERED TO ITS FUNDING DISTRIBUTION
METHOD AND SELECTION CRITERIA

Our review of a statistical sample of grantee and unsuccessful applications showed that Utah generally distributed funds and

selected grantees in accordance with the procedures and criteria outlined in its statement of objectives that was provided to HUD. As planned, the State's allocation of funds to each of the seven regional planning districts was based on a standard amount (\$100,000) and on the population of each area within the district not eligible for entitlement grants (\$5.30 per capita, using 1980 census data). (Enclosure VIII shows the 1982 regional allocations.) Each district's review board selected its grantees; DCED then reviewed the selections for compliance with Federal and State regulations and approved the final awards. DCED retained less than the planned 2 percent of the total Small Cities Program grant for administrative purposes.

Review boards

Each of the seven regional planning districts established a review board to receive, rank, and recommend applications for block grant funding. In six of the seven districts, the district Association of Governments established the review board. The Wasatch Front Association further delegated the review responsibility to each of the four County Councils of Governments. All 10 review boards--6 at the regional association level and 4 at the county council level--developed their own procedures for reviewing, ranking, and recommending applications for funding.

These review boards were primarily composed of elected local officials; each had county commissioners and representatives of cities or towns (mayors and/or council members) as board members. Five boards included additional members:

--Three boards included other community representatives.

--One board included other community representatives and the Association of Governments' executive director.

--One board included the Council of Governments' administrator.

The memberships of the 10 review boards are shown in enclosure IX.

Review criteria and procedures

Although applicants were required to address in their applications the 10 criteria which DCED developed to represent Utah's priority needs, the review boards were not required to use these 10 criteria in reviewing applications. (Enclosure X lists DCED's 10 criteria.) Each of the 10 review boards, however, used at least one of DCED's criteria in reviewing applications; in fact, all of the boards adopted DCED's first criterion of addressing the improvement of community health and safety factors. Specifically,

- three review boards adopted all 10 of DCED's criteria as their own review criteria,
- five review boards adopted more than half of DCED's criteria, and
- two review boards adopted only DCED's first criterion.

Nine boards used additional criteria addressing regional or county concerns and priorities. One of the Wasatch Front boards (Morgan County) did not adopt additional criteria addressing county concerns and priorities. The more common additional criteria used to rank program applications included the amount of local funds committed to the project (used by four review boards) and the number of persons served by the project (three review boards). Enclosure XI summarizes the criteria adopted by each review board.

In general, each review board evaluated all project applications from within its geographical area, although each board developed its own review procedures. Seven of the review boards developed numerical systems to rate applications, while three review boards did not use numerical rating systems, but instead ranked applications informally. (See enc. IX.) Six review boards (two regional and four county) ranked applications themselves; four review boards used the Association of Governments' staff members to score and rank applications.

In two regions (Six County and Wasatch Front), the review boards initially allocated funds to each county within their districts, assigning them a base amount plus a per-capita amount. Projects within each county then competed for that county's allocation. The Six County board generally funded projects in an amount less than that requested, while each of the four county boards in the Wasatch Front region fully funded, to the extent possible, the top-priority projects. Four regional boards had an informal policy of dispersing grant funds so that each county within their jurisdictions received some money. These boards--Bear River, Mountainland, Southeastern, and Uintah Basin--generally awarded the full amount requested to relatively small projects, and less than the full amount to relatively large projects. Only one regional board (Five-County) did not assure that each county within its jurisdiction received grant funds. Instead, it funded the top-priority projects at the full amount requested (to the extent possible).

None of the review boards established a formal appeals procedure for the 1982 Small Cities Program. Three boards received complaints from applicants, but board representatives thought these were due to misunderstandings about the processes used by the review boards.

DCED's review criteria

After the review boards had selected those applications which they recommended for funding, DCED reviewed each recommended application to

- ensure that it complied with Federal and State requirements;
- ensure that it met at least one of the three program objectives; and
- determine which, if any, of DCED's 10 criteria it addressed.

In 1982, DCED approved all but 3 of the 86 projects recommended by the review boards; funds for the 3 disapproved projects were distributed to 4 additional projects, for a total of 87 funded projects. Two projects were disapproved because, according to HUD representatives, the applications provided that more than 10 percent of the funds would be used for public service activities. The Housing and Community Development Act of 1974 (Public Law 93-383), as amended, limits to 10 percent the amount of any grant that can be used for public service activities. The third project was disapproved because it had been substantially completed with other funding before the application for Small Cities Program funds was submitted.

DCED's review consisted primarily of two determinations. First, DCED was to determine which, if any, of its 10 criteria were addressed. Although funded projects did not have to meet any of these 10 criteria, the application had to contain sufficient information to support those criteria that the applicant used to justify the proposed projects. Second, DCED was to determine if the proposed project addressed at least one of the three following program objectives:

- Low- and moderate-income compliance. All applicants were to demonstrate what percentage of beneficiaries were expected to be low- and moderate-income persons, and define how they were to benefit from the proposed project. The burden of proof was on the applicant to document these impacts.
- Prevention or elimination of slums/blight compliance. Eligible projects had to be located in an area of a slum and/or blight. Applicants were required to delineate a specific target area designated as a slum or blighted area, and the State reserved the right to undertake site visits to review local determinations.
- Health, safety, and welfare compliance. Eligible projects were to meet other community development needs which were

of particular urgency because existing conditions pose a serious and immediate threat to the community, and other financial resources were not available to meet such needs.

Results of our review of Utah's selection process

We reviewed the application selection processes used by each review board. We obtained descriptions of the criteria and selection procedures used by the boards to rank and recommend applications. We then applied the boards' selection criteria to a statistical sample of applications, which included grantees and unsuccessful applicants, to see whether the boards' funding decisions were made in accordance with their criteria and procedures. For the four regional review boards using numerical rating systems, we checked scores for mathematical accuracy and verified the rankings. We concluded that Bear River, Five-County, Mountainland, Six County, Southeastern, and Uintah Basin followed their procedures. Because of inadequate documentation, we could not reach a conclusion on the four Wasatch Front boards' compliance with their procedures. In regard to DCED's review, we determined that it followed its stated review procedures for projects recommended for funding by the planning districts' review boards.

CONCLUSIONS

Utah used various methods to meet the public participation certifications required by the Omnibus Budget Reconciliation Act of 1981 in designing its Small Cities Program. Proposed program information was distributed to interested parties at 12 public meetings held throughout the State, where they were also given the opportunity to comment on the program. Citizens were also able to provide input at 8 public hearings held in Utah's planning districts. The public participation process was viewed favorably by State and local officials, HUD, and the Utah League of Cities and Towns.

Our questionnaire results showed that public participation also played a role in helping grantee communities determine their community development needs. Eighty percent of the grantees said that persons other than local government officials helped develop the communities' plans for carrying out projects and activities under Utah's Small Cities Program. About 65 percent of the grantees said that they conducted a formal needs assessment before applying for program funds.

Utah generally implemented its program in accordance with the funding distribution procedures and grantee selection criteria outlined to HUD in its program statement. Funds were allocated to each of the State's seven regional planning districts on the basis of a standard amount for each district plus an amount based on the population of each nonentitlement area within the

district. Each planning district developed its own project selection criteria and procedures within guidelines established by the State. The districts established 10 distinct review boards, primarily composed of elected local officials, to review, rank, and recommend specific projects for funding. DCED reviewed the boards' recommendations and approved the projects for funding.

COMPARISON OF HUD- AND STATE-FUNDED
ACTIVITIES AND POPULATIONS TARGETED

The major differences between HUD's and Utah's Small Cities Programs related to the (1) types of projects funded, (2) number and size of grants awarded, and (3) populations targeted. Utah, under its program in 1982, emphasized public facility improvement projects that were generally awarded to communities to improve fire stations, buy firefighting equipment, or improve water systems. It awarded a total of 87 grants that averaged about \$48,000 each. HUD emphasized larger projects under its 1981 program. It funded projects that emphasized economic development that were aimed at downtown and neighborhood revitalization, public facility projects for water system improvements, and housing rehabilitation. HUD awarded a total of eight grants in 1981 that averaged about \$466,000. Also, under Utah's program, the expected percentage of beneficiaries who were low- and moderate-income persons as reported on the applications was 12 percentage points less (from 71 to 59) than under the HUD program. This decrease may be attributed to the fact that HUD frequently targeted its grants to low- and moderate-income persons, whereas Utah generally awarded grants that benefited the community as a whole. It is much harder, for example, to identify benefits to low- and moderate-income persons under a project to improve a fire protection facility than for a project to revitalize housing in a specific neighborhood.

At the time of our review, Utah had not finalized its requirements for reporting on program performance to HUD. However, grantees will be required to document whether targeted populations received the benefits outlined in their project applications.

MAJOR ACTIVITIES FUNDED UNDER HUD'S
1981 PROGRAM AND UTAH'S 1982 PROGRAM

In 1981, with total Small Cities Program funds of \$3,730,000, HUD funded a total of eight grants. The average grant award was \$466,250; individual awards ranged from \$238,000 to \$850,000.

In 1982, with total program funds of \$4,151,720 (of the \$4,235,000 that Utah received, it retained \$83,280 to administer the grants), Utah funded a total of 87 grants. The average grant award was \$47,721; individual awards ranged from \$1,000 to \$245,000.

The table below summarizes information about the 1981 and 1982 Small Cities Programs:

Comparison of 1981 HUD and
1982 Utah Small Cities Grants

	<u>HUD 1981</u>	<u>Utah 1982</u>
Number of grant awards	8	87
Average size of award	\$466,250	\$47,721
Number of applications for more than one community	0	11
Average community size	19,075	21,318

<u>Activities funded</u>	<u>HUD 1981</u>			<u>Utah 1982</u>		
	<u>No. of awards</u>	<u>Amount</u>	<u>Percent</u>	<u>No. of awards</u>	<u>Amount</u>	<u>Percent</u>
Housing rehabilita- tion	2	\$ 615,000	16.5	1	\$ 72,000	1.7
Public facilities	3	1,214,000	32.6	78	3,764,892	90.7
Economic development	3	1,901,000	50.9	1	89,489	2.2
Property acquisition				1	50,000	1.2
Planning	—	—	—	6	175,339	4.2
Total	8	\$3,730,000	100.0	87	\$4,151,720	100.0

<u>Other sources of funds^a</u>	<u>HUD 1981</u>		<u>Utah 1982</u>	
	<u>Number of awards</u>	<u>Amount</u>	<u>Number of awards</u>	<u>Amount</u>
Local	1	\$ 15,000	46	\$1,690,509
State			16	2,684,060
Private	2	933,289	6	185,000
Federal	2	1,375,000	4	603,588
Total		\$2,323,289		\$5,163,157

^aThree of HUD's 1981 grants and 52 of Utah's 1982 grants involved funds from other sources. In some cases, a single grant was supported by funds from more than one source.

HUD's 1981 Small Cities Program

Under its 1981 program, HUD awarded 8 grants that averaged \$466,250. Economic development and public facility activities were the two most significant in terms of dollars and number of grants. HUD funded three economic development activity grants involving projects aimed at downtown and neighborhood revitalization. HUD also awarded three public facility grants. One grant was used to replace two overpasses crossing railroad tracks, one for water system improvements, and one for neighborhood revitalization.

HUD also awarded one private housing rehabilitation grant for rehabilitating 26 homes and improving streets. In addition, one public housing rehabilitation grant was approved for repairs and improvements to 28 apartments.

Utah's 1982 Small Cities Program

Under Utah's program, 90 percent of the total grants, as well as 90 percent of the total dollars awarded, were for public facility activities. These grants were generally awarded to communities needing to improve fire stations, buy firefighting equipment, or improve public water and sewer systems. Utah funded only one economic development activity grant, which was for an industrial development project intended to double the number of manufacturing jobs in southwestern Utah by 1985.

Utah also awarded a housing rehabilitation grant, a property acquisition grant, and six planning activity grants. The housing rehabilitation grant was used to issue low- and zero-interest loans to low-income people for emergency home rehabilitation. Loan repayments would then be used for future low-income housing programs. The property acquisition grant was used to purchase land to expand a wastewater treatment system, which was operating at capacity. The six planning grants went to six Associations of Governments throughout Utah and were to be used for activities designed not only to assist communities in determining community needs, goals, and objectives, but also to advise them on how to interact effectively with the State government. Because the associations themselves were not eligible for funding, they obtained funding through eligible applicants who then subcontracted with the associations. Utah has requested a decision from the Secretary of HUD to enable associations to be eligible for funding.

Comparison of 1981 and 1982 programs

We noted major differences in the types of projects selected and the number and size of grants made under the HUD and State programs.

Generally, HUD funded projects that were devoted to rehabilitating residential and commercial areas and making street improvements. On the other hand, Utah spent nearly 76 percent of its Small Cities Program funds on projects involving fire protection and water and sewer systems; it awarded less than 2 percent of its funds for rehabilitation projects. Also, while HUD awarded only one grant for water system improvements (three other grants included segments for water and sewer improvements), Utah awarded a total of 41 grants (about 47 percent of the total grants awarded) for water and sewer system improvements. Furthermore, while HUD did not fund any projects for fire protection facilities and equipment, Utah awarded 19 grants (22 percent of the total grants awarded) for such projects.

The two programs also differed in the number and size of awards granted. In 1981 HUD awarded 8 grants (averaging \$466,250); in 1982 the State awarded 87 grants (averaging \$47,721). State and HUD officials attributed this difference to Utah's method of distributing or awarding the Small Cities Program funds. Utah, by design, allocated funds to the State's seven regional (multicounty) planning districts. Six of the seven districts subsequently made awards to assure that each county in their jurisdictions received some money. Although HUD had also distributed funds to communities throughout the State, it did so over a period of years.

1981 grants involving other funding

Data from HUD records indicated that three Utah grantees receiving Small Cities Program funds in 1981 planned to use additional funds, totaling \$2,323,289. As shown below, two of these grantees indicated that a total of at least \$1,948,284 would be used along with the grant funds:

- One grantee identified, in addition to the \$476,000 in Small Cities Program funds, \$1 million from the Federal Highway Administration, \$87,289 from a railroad company, and \$15,000 from local funds. However, it was likely that more money would be obtained, possibly from the State, since bids for the railroad overpass exceeded the funds available.
- The second grantee identified \$846,000 of proposed funding coming from "other" sources. When it applied for Small Cities Program funds for downtown and neighborhood revitalization, however, it did not indicate where the additional money would be obtained.
- The third grantee had received money from HUD in 1980 to revitalize downtown and neighborhood areas. When the city applied for additional money under the 1981 Small Cities Program, it had \$375,000 remaining from the 1980 grant.

1982 grants involving other funding

In 52 of the 87 grants Utah awarded in 1982, grantee communities indicated additional funding totaling \$5.2 million. Nearly \$2.7 million of the additional funding was coming from the State. Another significant portion, \$1.7 million, of the additional funding was to come from local sources. Private sources were contributing \$200,000; the Federal Government was contributing \$600,000.

As stated above, local and State funding were significant. For example, one community received a \$107,000-Small Cities Program grant to help pay for a fire station; however, this grant covered only a portion of the fire station's cost. According to the city's application, the fire station's construction costs were expected to be \$511,000, not including charges for engineering, architectural, and site preparation work. Local funds amounting to at least \$404,000 were to be used to complete the project.

In another case, Utah awarded a grant of \$132,000 to assist in the construction of a \$525,000 water project. A \$343,000 loan from the State Board of Water Resources and \$50,000 in local funds were also to be used. The project was needed because a falling water table was creating an inadequate water supply for domestic use and fire protection.

BENEFITS TARGETED TO LOW- AND MODERATE-
INCOME PERSONS UNDER THE 1982 STATE
PROGRAM VERSUS THE 1981 HUD PROGRAM

The State-approved projects' applications show that of those reported to benefit, 59 percent¹ are expected to be of low and moderate income. This is 12 percentage points less than the 71 percent shown on the applications under the HUD-administered program.

HUD frequently targeted grants for low- and moderate-income persons, whereas Utah awarded grants that would benefit the community as a whole. HUD would not ordinarily award a grant unless the applicant could demonstrate that over 50 percent of the targeted benefiting area was composed of low- and moderate-income people or that over 50 percent of the direct benefits of the project would accrue to low- and moderate-income people. Although Utah's program required applicants to document not only how low- and moderate-income people would benefit, but also what

¹This percentage was based on State data covering 53 of the 87 projects. Because of time constraints, we did not verify the data that were used to compute the percentage or obtain data on the 34 projects for which the State did not have targeted population information.

percentage of low- and moderate-income people would benefit from the proposed project, 8 communities did not provide the required information, and 26 others submitted incomplete information. Utah's program criteria set no specific guidelines on what proportion of proposed projects' beneficiaries were to be low- and moderate-income people.

Most projects funded by Utah benefited the community as a whole, rather than a specific population group. These projects, such as water system improvements or fire protection facilities and equipment, can be difficult to target to a specific population group unless a community is principally populated by that group. In fact, the eight projects for which low- and moderate-income benefit information was not provided involved fire protection, planning, and water systems improvements. However, information provided by State officials and data in applications submitted by the communities indicated that most of the targeted populations were composed of low- and moderate-income people.

One HUD program manager attributed HUD's emphasis on targeting low- and moderate-income people and Utah's lack of emphasis on targeting this group to:

- a 1981 HUD requirement that over 50 percent of the project beneficiaries be low- and moderate-income people, whereas Utah did not establish a similar requirement;
- HUD's scoring system for ranking projects, which caused projects to score higher as the percentage of beneficiaries to be low- and moderate-income people increased; and
- differences in interpreting program requirements, such as what is meant by "principally for persons of low and moderate income" and "development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare."

To illustrate, the program manager said that a project concerned with rehabilitating homes of low- and moderate-income people would have scored and ranked high under HUD's program. Six of the eight projects HUD funded included housing rehabilitation as a major project segment. Also, it was easy for applicants proposing such projects to show that the projects would primarily benefit persons of low and moderate incomes. In contrast, in order to qualify for the HUD grant it received to replace a railroad overpass, the city of Clearfield had to conduct a traffic survey to show that over 50 percent of the people using the existing overpass had low or moderate incomes. In short, a project that did not involve home rehabilitation was difficult to justify under HUD's program.

The low- and moderate-income definition was similar under both the 1981 HUD program and the 1982 Utah program. Generally,

low- and moderate-income level was defined as "80 percent of the county median income;" however, for its 1983 program, Utah will change the definition to "80 percent of the State's median income."

Although Utah had not finalized its reporting requirements at the time of our review, grantees will be required to document whether targeted populations received the benefits outlined in their applications. In addition, Utah is working with the Council of State Community Affairs Agencies² to develop a uniform State reporting format for the Small Cities Program to meet HUD and local State reporting requirements.

CONCLUSIONS

Utah's assumption of the Small Cities Program resulted in major changes in the types of projects funded, the number and size of awards granted, and the populations targeted. Whereas HUD's selection process favored projects such as neighborhood revitalization, which primarily benefited low- and moderate-income persons, Utah's selection process favored projects such as improving water systems and providing fire protection equipment, which benefited each community as a whole. Furthermore, Utah tended to award considerably more and smaller grants than HUD. Also, most of the projects Utah funded were intended to meet health and safety needs.

Low- and moderate-income persons benefited from both HUD's and Utah's Small Cities Program. However, according to project application data, the percentage of beneficiaries expected to be low- and moderate-income persons declined 12 percentage points under Utah's program. This shift may be due to Utah's emphasizing public facility projects that benefited each community as a whole, rather than funding projects, such as housing rehabilitation, that were targeted to specific population groups as under the HUD program.

Although Utah has not finalized its reporting requirements, grantees will be required to document whether targeted populations actually received the benefits outlined in their applications. Utah is currently working with the Council of State Community Affairs Agencies to develop a uniform State reporting format.

²The Council of State Community Affairs Agencies is a nonprofit organization formed in 1974 to promote the common interests and goals of States with major emphasis in the area of comprehensive community development. Membership consists of executive heads of State Community Affairs Agencies.

PERCEPTIONS: COMPARISON OF STATE-
AND HUD-ADMINISTERED PROGRAMS

State, HUD, and public interest group officials viewed Utah's Small Cities Program as a method by which the local communities' needs can be better met. In addition, grantees and unsuccessful applicants generally viewed Utah's program favorably. Grantees and unsuccessful applicants both rated Utah's program as being equivalent to or better than past HUD-administered programs in a number of areas, including (1) fairness of award process, (2) ability to meet local needs, (3) flexibility in determining population groups to be served, and (4) assistance to local communities.

STATE, HUD, AND OTHER VIEWS ON
STATE AND FORMER HUD PROGRAMS

According to State, HUD, and public interest group officials, the transfer of the Small Cities Program from HUD to Utah enables the State to better meet local communities' needs. DCED's Deputy Director said that, although HUD's past administration of the program was perfectly acceptable, the opportunity to redesign the program to better meet local communities' needs persuaded Utah to accept the program. In addition, Utah is proud of its Small Cities Program design. The program evolved through maximum citizen participation and is very responsive to the expressed needs of the local communities.

Similarly, HUD regional officials said that public participation was greater under Utah's management of the program than it was under HUD's. They also commended Utah's program structure for assuring that funds would be distributed throughout the State to meet the demands of local communities. One HUD regional official, for example, said he was certain that Utah's program would do a better job than HUD's had in meeting community needs; however, he thought that HUD's 1981 program placed more emphasis on national housing priorities than Utah's 1982 program did.

Although HUD regional officials said that their administrative burden should decrease with the transfer of the Small Cities Program from HUD to Utah, they thought that Utah's administrative burden would increase because Utah funded 10 times as many grants in 1982 as HUD did in 1981. HUD could not determine, however, whether overall administrative costs would change.

According to the Director of the Utah League of Cities and Towns, Utah's program was particularly responsive to local

communities' needs. Also, with the transfer of program responsibility from HUD to Utah, the public was given a greater opportunity to participate in the program design. Under the State-administered program, according to the league director, the constituents are better off because local levels are more involved with decisionmaking.

VIEWS OF GRANTEES AND
UNSUCCESSFUL APPLICANTS

Grantees and unsuccessful applicants generally viewed Utah's program favorably. For instance, the majority of respondents said that the State program (1) adequately or more than adequately addressed their local development needs, (2) provided helpful technical assistance, and (3) had a grant award process which was fair. In comparing the State's Small Cities Program with the one previously administered by HUD, most who had participated in HUD's program believed Utah's program was equivalent to or better than HUD's program in all areas about which we inquired. The only area which was not clearly characterized this way was a comparison of the State's and HUD's promptness of payments, where most respondents said they had no basis to make this comparison.

Views on State program's
strengths and weaknesses

According to our questionnaire results, grantees and unsuccessful applicants had mixed views on the Utah program's strengths and weaknesses. About one-half of the grantees and about one-third of the unsuccessful applicants said that Utah's program had particularly strong aspects; about one-third of both groups said that it had significant shortcomings. When asked to comment on the areas of program design, award process, and program regulations, strengths and weaknesses were noted. The following are some of the respondents' comments on both program strengths and weaknesses:

<u>Program area</u>	<u>Strengths</u>	<u>Weaknesses</u>
Program design	Allows local (multi-county) allocations, assuring some funding to local areas.	There seems to be some confusion pertaining to program time schedules and requirements.
	Allows for local input of elected officials.	It should have been based more on an entitlement basis.
Award process	Allows local participation and delegation of grant award decisions.	Seems to be political in nature.
	Local officials develop final criteria for applicants.	
	Less centralized decisionmaking body has potential to respond to local needs.	
Program regulations	Bearable.	Too much red tape; too many administrators; tied to too many Federal laws, such as environmental and archeological requirements.
		Regulations for smaller communities should not be as detailed as for the larger cities.

How adequately does State program meet local community development needs?

More than 80 percent of the grantees said Utah's program encouraged projects that addressed their communities' development needs, while about 15 percent disagreed. Sixty percent of

the unsuccessful applicants who responded to this question said that the program adequately addressed their communities' development needs, but 30 percent said the program was inadequate in this regard. These results are shown below:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Much more than adequately	7	10
More than adequately	16	15
Adequately	58	35
Less than adequately	11	30
Much less than adequately	4	-
No basis to judge	4	10

State assistance in preparing grant applications

More grantees (about 69 percent) said they received State assistance in preparing their applications than did unsuccessful applicants (about 38 percent). Of the grantees who said they received State assistance, about 30 percent requested the help; the remaining 70 percent said they received help without asking for it. Of the unsuccessful applicants who said they received State assistance, about 38 percent said they requested the help, and 62 percent said they received it without request. All the communities receiving State assistance said it was helpful, as shown below.

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Very great help	26	12
Great help	29	38
Moderate help	16	50
Some help	29	-

Familiarity with award process

The majority of the grantees categorized themselves as being "very familiar" with the manner in which Utah decided which communities would receive grant awards, and most of the unsuccessful applicants said they were "familiar" with the process. Approximately the same percentage of grantees as unsuccessful applicants said they were unfamiliar with the award process, as shown in the following table:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Very familiar	59	24
Familiar	26	62
Unfamiliar	15	14

Fairness of Utah's grant award process

More than 90 percent of the grantees who said they were familiar with Utah's grant award process characterized the process as being fair. None of the grantees said the process was unfair. Of the unsuccessful applicants who said they were familiar with Utah's grant award process, about 61 percent said it was fair, and about 12 percent said it was unfair. These responses are shown in the following table:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Very fair	54	22
Fair	37	39
Neither fair nor unfair	9	28
Unfair	-	6
Very unfair	-	6

Comparison of Utah's program with previous HUD program

About 40 percent of the grantees and 43 percent of the unsuccessful applicants said their communities had participated in the HUD-administered Small Cities Program. Of these communities, most said Utah's program was better than or equal to the previous HUD program.

Data on the comparison issues that follow were obtained only from those respondents who said they had previously participated in HUD's Small Cities Program.

Application procedures

Roughly 90 percent of the grantees and unsuccessful applicants stated that the grant application procedures under Utah's program were less burdensome than those under HUD's program. Less than 10 percent of the grantees, and none of the unsuccessful applicants, said Utah's application procedures were more burdensome than HUD's. These results are shown below:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
More burdensome	9	-
Equally burdensome	-	11
Less burdensome	22	45
Much less burdensome	69	44

Eligibility requirements

Most of the grantees said that Utah's eligibility requirements were easier to meet than HUD's were. The majority of the unsuccessful applicants said that eligibility requirements were equally difficult to meet under either program. The table below presents these responses:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
More difficult	14	-
Equally difficult	20	78
Less difficult	52	22
Much less difficult	14	-

Variety of eligible projects

Almost one-half of the grantees said that Utah's program allowed a wider variety of projects that could receive funding than did HUD's program; none of the grantees said that Utah's program restricted project variety. Of the unsuccessful applicants, about one-third said Utah's program allowed a wider variety of projects, but almost one-fourth said the variety was narrower. The following table presents these results:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Wider variety	48	33
About the same variety	42	44
Narrower variety	-	22
No basis to judge	10	-

Flexibility in determining
population groups to be served

Most of the grantees said they had more flexibility in determining population groups to be served by their projects under Utah's program than under HUD's program. The majority of unsuccessful applicants disagreed, stating that equal flexibility existed under either program. No respondents said that Utah's program was less flexible than HUD's in this regard. These results are summarized below:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Much more flexible	22	11
More flexible	38	11
Equally flexible	31	78
No basis to judge	9	-

Consistency between program
priorities and community priorities

About one-half of the grantees and one-third of the unsuccessful applicants said that their communities' developmental needs priorities were more closely matched by Utah's program priorities than by HUD's program priorities. About one-fifth of the grantees and one-half of the unsuccessful applicants said the two programs matched their communities' priorities about equally. Almost one-fourth of the unsuccessful applicants said that Utah's program priorities were less consistent with their communities' development priorities. The table below presents these responses:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Much more consistent	9	11
More consistent	47	22
Equally consistent	22	45
Less consistent	-	22
Much less consistent	3	-
No basis to judge	19	-

Award method

Generally, grantees were more positive about the fairness of Utah's grant award method when compared with HUD's than were the unsuccessful applicants. The majority of grantees said that Utah's grant award method was much fairer than HUD's, while the majority of unsuccessful applicants said the two award methods were equally fair. No grantees said Utah's award method was less fair than HUD's award method, but about 22 percent of the unsuccessful applicants did say this. These results are indicated below:

	<u>Grantees</u>	<u>Unsuccessful applicants</u>
	(percent)	
Much fairer	58	11
Fairer	29	11
Equally fair	13	56
Less fair	-	11
Much less fair	-	11

Reporting requirements

Most grantees said that the requirements with which the communities had to comply when reporting the use of grant funds were easier under Utah's program than under HUD's program. About 59 percent said Utah's reporting requirements were less burdensome than HUD's; the remaining 41 percent said the reporting requirements were equally burdensome under both programs.

Technical assistance

One-half of the grantees characterized the technical assistance received by their communities under Utah's program as being more helpful than that received under HUD's program. About 28 percent said that Utah's assistance was equally as helpful as HUD's, and about 3 percent said Utah's assistance was much less helpful than HUD's. The remaining 19 percent of grantees said they had no basis by which to compare the two.

Payment promptness

Most of the grantees (about 53 percent) said they had no basis by which to compare the promptness of payments under Utah's and HUD's programs. Of the remaining 47 percent of grantees, about 19 percent said that payments from the State were more prompt than they had been from HUD; about 28 percent said that payments were equally prompt under either program.

CONCLUSIONS

Officials from HUD, Utah, and public interest groups agreed that Utah's assumption of the Small Cities Program would better enable the State to meet its local communities' needs. The majority of the applicants agreed that Utah's program adequately addressed their communities' development needs, and most viewed the State's grant award process as being fair. Of those applicants who had participated in the previous HUD-administered program, most stated that Utah's program was equal to or better than HUD's in almost all respects.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objectives of this work were to provide the Congress a report on the States' implementation of the Small Cities Community Development Block Grant Program as authorized by the Omnibus Budget Reconciliation Act of 1981 and to provide input to the 1983 reauthorization process on the block grant legislation. This work is part of our ongoing effort¹ to keep the Congress informed of the progress being made in implementing the block grant aspects of the Omnibus Budget Reconciliation Act of 1981.

When we conducted our fieldwork--December 1, 1982, through January 15, 1983--most States were in the early stages of implementing the Small Cities Program. While essentially all States had selected their 1982 recipients, some states were just completing the grant agreements with the local communities and only one had started its monitoring work. Accordingly, our work was directed toward reviewing the State decisionmaking process through the selection of grantees, concentrating on the following issues:

- How did States meet their public participation requirements?
- How did States decide to use and distribute Small Cities Program funds, and how did that method compare with what they told HUD in their statement of objectives and projected use of funds?
- What projects and activities did the State fund in 1982, and how did they compare with the 1981 HUD-administered Small Cities Program?
- What were the successful and unsuccessful applicants' perceptions on how well a State-administered program meets local needs compared with a federally administered program?

We reviewed programs in seven States--Alabama, Delaware, Iowa, Kentucky, Massachusetts, Michigan, and Utah. These States were allocated \$150.1 million of fiscal year 1982 Small Cities Program funding. This represents approximately 15 percent of the

¹In August 1982, we provided the Congress an initial look at States' implementation of the 1981 legislation in our report entitled "Early Observations on Block Grant Implementation" (GAO/GGD-82-79). Also, on the basis of preliminary results of this review on March 9, 1983, we provided a statement for the record before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs, on our views of States' early implementation of the Small Cities Program.

fiscal year 1982 funds available for small cities and 20 percent of the total funds allocated to those States that elected to administer the program in 1982.

We selected these States on the basis of the progress they had made in implementing the Small Cities Program--we excluded those States that had not essentially completed their selection of recipients by December 1, 1982. We initially based our selection on the 13 States included in our previous review. (See footnote 1 on p. 32.) However, 6 of those 13 States--California, Colorado, Florida, New York, Texas, and Vermont--chose not to administer the program in fiscal year 1982. Three others--Mississippi, Pennsylvania, and Washington--although electing to administer the program, had not completed their selection process by December 1. Therefore, to obtain additional audit coverage and geographic balance, we added three States--Alabama, Delaware, and Utah.

In Utah, we met with the officials responsible for developing, designing, and implementing the Small Cities Program to obtain information and their views on the State's decisionmaking process and (2) the State's administration of the program as opposed to HUD's administration of the program. We reviewed documents concerning the State's design of the program, public participation efforts, and all grantee applications to obtain detailed data on how local communities were planning to use Small Cities Program funds.

We took statistical samples of both the grantee and unsuccessful applicant universes to determine if Utah distributed funds and selected grantees in accordance with the procedures outlined in its statement of objectives and in accordance with the criteria it set up for that purpose. We reviewed the applications, supporting documentation, and the steps Utah took to select the grantees over the unsuccessful applicants.

We also sent two questionnaires to the sample groups--30 of 86 grantees and 30 of 104 unsuccessful applicants--to obtain perceptions from the local communities on the HUD- and State-administered programs. In order to provide input in the reauthorization hearings on the Community Development Block Grant Program, we conducted our audit work over a short timeframe. Consequently, we decided to structure our samples to yield the most precise estimates for the total grantees and unsuccessful applicants in the seven States included in our review, thus accepting less precise estimates for grantees and unsuccessful applicants in each individual State at the 95-percent confidence level. The sampling errors for the total grantee sample and unsuccessful applicant sample are no greater than plus or minus 6 percent and 7 percent, respectively, at the 95-percent confidence level. The sampling errors for the majority of questionnaire data in this report are no greater than plus or minus 12 percent

for the grantee sample and 14 percent for the unsuccessful applicant sample, and the largest sampling errors are 14.8 percent and 19 percent, respectively, all at the 95-percent confidence level. This means the chances are 19 out of 20 that if we had reviewed all of the grantees and unsuccessful applicants in Utah, the results of the review would not have differed from the estimates obtained from our sample by more than the sampling errors reported. The results presented in this report represent responses weighted to reflect the responses of the population sampled. The Utah response rates for the grantees and unsuccessful applicants were 85 percent and 72 percent, respectively.

The successful applicant questionnaire was designed to obtain information on the local community's input into Utah's decisionmaking process in designing its program; the way in which the community planned for, applied for, and is using the funds it received; and the community government's views on the way in which the State conducted the program compared with the past HUD-administered program. We asked that the views expressed be those of the highest level government official familiar with the community's experience under the program.

The unsuccessful applicant questionnaire was also designed to obtain information on the local community's input into the State's decisionmaking process in designing its program, the way in which the community applied for funds, and the community government's views on the way in which Utah conducted the program compared with the past HUD-administered program. We also asked unsuccessful applicants questions concerning Utah's decision not to fund their proposed projects. As in the successful applicant questionnaire, we asked that the views expressed be those of the highest level government official familiar with the community's experience under the program.

In Utah, we also met with a public interest group to determine its participation in the design of the State program and to obtain their views on the program and its administration.

In addition to visiting the seven selected States, we conducted our review at HUD headquarters and at the HUD regional and area offices that were responsible for administering the 1981 Small Cities Program in the seven States.

At HUD headquarters, we reviewed the Community Development Block Grant Program's legislative history; HUD regulations, handbooks, and notices; and other HUD documents and analysis. We also interviewed office directors and other staff members involved with the Small Cities Program under HUD's Assistant Secretary for Community Planning and Development.

At the HUD regional and area offices in Denver we interviewed community planning and development officials and reviewed appropriate documents to gather information on HUD's role in assisting Utah in designing its Small Cities Program and to obtain views on the advantages and disadvantages of Utah's administration of the Small Cities Program versus HUD's. We also gathered detailed information from all of the applications that HUD funded in 1981. These data were summarized along with the 1982 successful applicant data and used to show how the funds were used under Utah's decisionmaking process versus HUD's decisionmaking process.

We performed our review in accordance with generally accepted government auditing standards.



SCOTT M. MATHESON
GOVERNOR

STATE OF UTAH
OFFICE OF THE GOVERNOR
SALT LAKE CITY
84114

March 8, 1983

Robert W. Hanlon, Regional Manager
U. S. General Accounting Office
Suite 300-D, 2420 W. 26th Avenue
Denver, Colorado 80211

Dear Mr. Hanlon:

Thank you for your letter of February 28 and draft GAO "Proposed Report" on Utah's Small Cities CDBG Program. I am extremely pleased with the results of your study and would like to compliment you and your staff for your efforts.

I have been particularly interested in the performance of the Community Development Block Grant Program, and believe it exemplifies a successful New Federalism initiative.

I am especially encouraged to learn that according to your analysis, the state administered program met the community development needs in Utah more effectively than previous federally managed programs. I am committed to designing a state program that meets community needs as they are perceived by local governments, and am reassured by the findings of your study.

I also believe your study helps demonstrate that national as well as local objectives can simultaneously be achieved by granting states sufficient flexibility to accomplish our mutual goals.

I appreciate the opportunity of reviewing your study, and once again, commend you for your timely and informative report.

Sincerely,



Governor

SMM:dbc

HOUSE OF REPRESENTATIVES
STATE OF UTAH

REP. OLENE S. WALKER
24TH DISTRICT

879 HILLTOP ROAD, SALT LAKE CITY, UTAH 84103

COMMITTEES: APPROPRIATIONS (COMMUNITY AND ECONOMIC DEVELOPMENT, CO-CHAIRMAN) • SOCIAL SERVICES •
RULES • REVENUE AND TAXATION



March 3, 1983

Robert W. Hanlon, Regional Manager
U.S. General Accounting Office
Suite 300-D
2420 West 26th Avenue
Denver, CO

Dear Mr. Hanlon:

Thank you for your letter of February 28 soliciting comments on GAO's "Draft of a Proposed Report on Utah's Small Cities Community Development Block Grant Program." On behalf of the Legislative Committee, I appreciate the opportunity of expressing our views on your report, as well as the CDBG Program in general.

I should point out that the Legislative Committee received a briefing on the Program on February 11 by the Utah Department of Community and Economic Development. During the briefing, staff informed us that the GAO report would be forthcoming.

I congratulate you and your staff for a very concise yet comprehensive synopsis of the Utah Program. I generally concur with your basic finding highlighted in your letter, but would like to elaborate further on some key issues.

The objective and rationale for transferring program administration from the Federal to the State level was the basic premise that certain public programs are more effectively delivered at the State and Local levels. I believe your report convincingly verifies the validity of this premise, and as a New Federalism initiative, the program has accomplished this objective.

The report makes special note of two distinguishing differences between the Utah administered program versus the HUD administered program. These differences pertain to the importance of "targeting population" (i.e., principally benefiting those with low and moderate incomes) and the "types" or projects funded (e.g., housing versus public facilities). These differences will be of interest to Congress in their reauthorization hearings and warrant some response.

Robert W. Hanlon
March 3, 1983
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The report points out that HUD's selection process favored projects reaching low and moderate income citizens, whereas the Utah program did not. One might conclude from this fact that the State administered program fell short of funding those activities which principally benefit low and moderate income persons. Yet, from your analysis nearly three-fifths of the beneficiaries of the Utah program were in fact those of low and moderate incomes. This finding is extremely noteworthy. I think it is significant that the State administered program not only more effectively addressed community development needs, but also preserved and enhanced the national objective of benefiting low and moderate income persons. Perhaps equally important, this goal was achieved without specific mandates in the law itself. Consequently, I do not believe it is necessary for Congress to restrict State flexibility with specific mandates on the low and moderate income issue.

The report compares and contrasts the types of projects funded under the State versus HUD programs and finds that the overwhelming majority of State funded projects consisted of public facilities. The question may be raised as to whether or not other activities (e.g., housing rehabilitation) has consequently suffered as a result of State administration of the program. Two points should be emphasized in addressing this question. First, public facilities projects are perceived to be the top priority of communities by residents and community leaders themselves. Second, State and Local governments are experiencing a fiscal crisis which is seriously impairing their ability to finance even the most basic public services and facilities. The interest rates at which Local governments must borrow money has doubled since 1977. Federal grant programs for these purposes have been cut dramatically (by 1983, Federal grants as a percent of State/Local revenues will have dropped by 28%). Perhaps even more troublesome is that the growth rate in locally generated revenues has fallen over the past four years. In order for local governments to provide basic services and facilities, higher user fees and taxes are forced to be imposed. These fees and taxes are typically regressive and consequently have greater impacts on our low and moderate income citizens. The CDBG program provides an opportunity to help mitigate these impacts, and consistent with the primary objective of the program, ensures continued development of viable communities and suitable living environment.

Robert W. Hanlon
March 3, 1983
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As a final comment, I would like to emphasize that the CDBG program represents a new and challenging experiment in intergovernmental relations and program administration. As such, we must remember there is much "learning-by-doing" to be done. I am confident that the State program will be continually refined and improved to better meet both Federal and State objectives.

Once again, on behalf of the Legislative Committee, I appreciate the opportunity to comment on your report. I found the report very informative, concise, and accurate.

Sincerely,



Olene S. Walker
Utah House of Representatives

Regional Funding Allocations For
Utah's 1982 Small Cities Program

<u>Region</u>	<u>Nonentitlement population^a</u>	<u>Percentage of nonentitlement population</u>
Bear River	92,498	14
Wasatch Front ^a	257,699	40
Mountainland ^b	110,531	17
Uintah Basin	33,840	5
Six County	47,087	7
Five-County	55,489	9
Southeast	<u>54,124</u>	<u>8</u>
Total	<u>651,268</u>	<u>100</u>

\$100,000 Base + \$5.30 per Capita

<u>Region</u>	<u>Allocation set-aside</u>	<u>Percent of \$4,235,000</u>
Bear River	\$ 590,239	14
Wasatch Front	1,465,805	35
Mountainland	685,814	16
Uintah Basin	279,352	7
Six County	349,561	8
Five-County	394,092	9
Southeast	386,857	9
DCED	<u>83,280</u>	<u>2</u>
Total 1982 Small Cities Program	<u>\$4,235,000</u>	<u>100</u>

^aWasatch Front excludes all of Salt Lake County and the cities therein; it also excludes Ogden.

^bMountainland excludes Provo and Orem Cities.

Summary of Regional Selection Processes
and Review Board Memberships

*1 *2 *3 *4 *5 *6 *7 *8 *9 *10

Review board membership:

County commissioners
Mayor/city council members
Community representatives
Association of Governments/
Council of Governments

	*1	*2	*3	*4	*5	*6	*7	*8	*9	*10
County commissioners	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mayor/city council members	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Community representatives	Y	Y	Y	-	-	-	-	Y	-	-
Association of Governments/ Council of Governments	-	-	Y	-	-	-	Y	-	-	-
Applications rated by:										
Review board	-	-	-	Y	-	Y	Y	Y	Y	Y
Association of Governments staff members	Y	Y	Y	-	Y	-	-	-	-	-
Applied criteria with a numerical ranking system	Y	Y	Y	-	Y	-	Y	-	Y	Y
Initial screening process	-	-	Y	-	-	-	-	-	-	-
Formal allocation of funds to counties	-	-	-	Y	-	-	Y	Y	Y	Y
Informal dispersion of funds to counties	Y	-	Y	-	Y	Y	-	-	-	-
Funding Policy for prioritized project(s):										
100%, to the extent feasible	-	Y	-	-	-	-	Y	Y	Y	Y
100% to smaller projects, <100% to larger projects	Y	-	Y	-	Y	Y	-	-	-	-
100% to most projects	-	-	-	Y	-	-	-	-	-	-

GAO note 1:
Y indicates "Yes."

GAO note 2:
Utah's 10 review boards—
*1 Bear River
*2 Five-County
*3 Mountainland
*4 Six County
*5 Southeastern
*6 Uintah Basin
*7 Wasatch Front, Davis COG
*8 Wasatch Front, Morgan COG
*9 Wasatch Front, Tooele COG
*10 Wasatch Front, Weber COG

Utah's Small Cities Program Criteria

1. Relative severity of health and safety factors as they affect the human environment. (This criterion would be met by a project that improved the health and/or safety standards of the community.)
2. Percentage of population benefiting by the proposed project or program. (This criterion would be met if a large portion of the community were served by a project.)
3. Benefits to low- and moderate-income persons. (This criterion would be met if poverty persons and persons receiving not more than 80 percent of the county median income benefited from a project. Every applicant must address this criterion with appropriate and relevant data).
4. Energy conservation or production. (This criterion would be met if the project conserved energy or produced a source of energy.)
5. Number of actual jobs created as a result of the funding request. (This criterion would be met by a project that created permanent jobs. The jobs must be separated between those available during construction and those available after completion of the project.)
6. Adoption of current goals and policies relating to the management of growth. (This criterion would be met if a project were an integral part of a growth management plan.)
7. Expansion or improvement of existing housing stock. (This criterion would be met by a project that rehabilitated existing housing, created new housing, acquired property for future housing, or cleared property for housing.)
8. Increase in the average annual rate of growth/decline during the past 5 years. [This criterion would be met if a project were implemented in a community experiencing either rapid growth (+8 percent per year) or rapid decline (-2 percent per year).]
9. Percentage of the county unemployed above State average.
10. Adoption of a current master plan. (This criterion would be met if a project were an integral part of a community's current master plan.)

Summary of Regional Review Criteria

*1 *2 *3 *4 *5 *6 *7 *8 *9 *10

Adopted following State criteria:

1. The improvement of community health and safety standards.
2. The percentage of population benefiting by the proposed project or program.
3. The benefits to low- and moderate-income persons.
4. Energy conservation or production.
5. Number of actual jobs created as a result of the funding request.
6. Adoption of current goals and policies relating to the management of growth.
7. The expansion or improvement of existing housing stock.
8. The increase in the average annual rate of growth/decline during the past 5 years.
9. The percentage of the county unemployed above State average.
10. Adoption of a current master plan.

	*1	*2	*3	*4	*5	*6	*7	*8	*9	*10
1. The improvement of community health and safety standards.	X	X	X	X	X	X	X	X	X	X
2. The percentage of population benefiting by the proposed project or program.	-	X	X	-	-	-	-	X	X	X
3. The benefits to low- and moderate-income persons.	X	X	X	-	-	-	X	X	X	X
4. Energy conservation or production.	X	-	-	-	X	-	X	X	X	X
5. Number of actual jobs created as a result of the funding request.	X	X	X	-	X	-	-	X	X	X
6. Adoption of current goals and policies relating to the management of growth.	X	X	X	-	-	-	X	X	X	X
7. The expansion or improvement of existing housing stock.	X	X	X	-	X	-	X	X	X	X
8. The increase in the average annual rate of growth/decline during the past 5 years.	X	X	X	-	-	-	X	X	X	X
9. The percentage of the county unemployed above State average.	X	X	X	-	X	-	-	X	X	X
10. Adoption of a current master plan.	X	X	-	-	X	-	-	X	X	X

Adopted additional local criteria:

1. Amount of local funds committed.
2. Number of persons served.
3. Energy-impacted community.
4. Other local criteria.

1. Amount of local funds committed.	-	X	X	-	-	-	X	-	X	-
2. Number of persons served.	-	-	-	-	X	X	X	-	-	-
3. Energy-impacted community.	X	-	-	X	X	-	-	-	-	-
4. Other local criteria.	X	X	X	X	X	X	-	-	X	X

GAO note:

Utah's 10 review boards—

- *1 Bear River
- *2 Five-County
- *3 Mountainland
- *4 Six County
- *5 Southeastern

- *6 Uintah Basin
- *7 Wasatch Front, Davis COG
- *8 Wasatch Front, Morgan COG
- *9 Wasatch Front, Tooele COG
- *10 Wasatch Front, Weber COG